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SYMPOSIUM

Human Rights: Economic and Political Development in the Third World

The Development-Rights Trade-Off: Some Unwarranted Economic and Political Assumptions

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THE DEVELOPMENT-RIGHTS TRADE-OFF

An incredibly widespread presumption, current among academic economists and philosophers as well as practical politicians, holds that respecting fundamental human rights is somehow incompatible with rapid economic development.¹ Here I hope to refute economists on their own ground, showing reasons

1. The proposition even figures in the most widely discussed political philosophical treatise of our generation, John Rawls's *Theory of Justice* (Cambridge: Harvard University Press, 1971). When, as an exception to his general rule, Rawls (Sec. 82) allows that a desperately poor nation might justly sacrifice some civil liberties for some increase in economic well-being, the whole discussion presupposes that a nation can purchase one at the price of the other. In the most thoroughgoing critique to date, Brian Barry, *The Liberal Theory of Justice* (Oxford: Clarendon Press, 1973), ch. 7, expresses skepticism. But faith in the trade-off is widespread, appearing for example in all the following: David H. Bayley, *Public Liberties in the New States* (Chicago: Rand McNally, 1964), ch. 6; Maurice Cranston, *What Are Human Rights?* (London: Bodley Head, 1973), pp. 66ff; Rupert Emerson, "The Fate of Human Rights in the Third World," *World Politics* 27 (1975): 201-26; Clarence Clyde Ferguson, Jr., "Economic Development and Human Rights," *American Journal of International Law* 67, no. 5 (1973): 198-227; International Council on Social Welfare, *Social Welfare and Human Rights* (New York: Columbia University Press, 1969); Ali A. Mazrui, "Consent, Colonialism, and Sovereignty," *Political Studies* 10 (1963): 36-55; and Julius Nyerere, *Freedom and Unity* (Dar es Salaam: Oxford University Press, 1966).

internal to economic theory itself for doubting that repression produces economic miracles. By choosing this focus, I do not mean to imply that repression would be morally permissible were the balance sheet to prove otherwise. The point of the philosopher in arguing for rights is, after all, to establish a certain category of claims prior to mean reckoning of mundane interests, economic or otherwise. If arguments for strong moral rights can be made—and I leave the task to others—then one of the implications surely must be that it is morally impermissible to trade off rights for wealth even were the trade possible.² My point here is simply that the trade is usually not possible anyway, that we ordinarily need not fear the moral temptation.

Furthermore, by taking seriously the argument for sacrificing rights for development I do not mean to concede the integrity of all politicians making such arguments. Doubtless some are sincere, but many are not. Were President Marcos of the Republic of the Philippines, for example, really using the power of martial law to produce the egalitarian New Society he proclaims rather than for mere personal aggrandizement, we would have to judge his regime less harshly. But the cruel fact, in this case as in so many others, is that “redistribution” and “development” are just cover stories. The central element in the Marcos New Society is a land reform scheme which, despite its ostentatious launching, is badly stalled after distributing no more than “certificates” allowing tenants to purchase (some) land on terms less advantageous than under the scheme Marcos inherited from his predecessor.³ I certainly take the criticism, driven home by such situations, that academics tend to be too trusting, treating as sincere arguments what should be contemptuously dismissed as pure hypocrisy. But surely there are some rulers who pursue repressive policies reluctantly on the mistaken presumption that they thereby hasten development, and for their benefit the mistake is worth correcting.

The strategy of this essay will be first to discuss the various ways in which the rights deprivations are said to speed development and then to show that each argument rests upon assumptions which look fairly implausible for the general case. I must admit straightaway that what is implausible for the general case may well prove true for any particular case; so I will have done no more than set the presumption against curtailing civil liberties as a strategy for economic development. This is, admittedly, a modest accomplishment, but it does seem a useful service. If I succeed in this task, the burden will be shifted to would-be oppressors to show that the sacrifice of civil liberties can contribute to economic well-being in their peculiar cases. This, I will have shown, is a burden they will usually be unable to bear.

2. Complications arise where certain levels of wealth are a prerequisite for respecting rights, e.g. to subsistence. If the sacrifice of rights would increase wealth, and if this economic bonus would be applied entirely and efficiently to the task of increasing future opportunities for fulfilling rights, then it *might* be morally permissible to make the trade, depending on how we weight the rights-claims of future individuals against the rights-claims of the present ones.

3. Benedict J. Kerkvliet, “Land Reform in the Philippines since the Marcos Coup,” *Pacific Affairs* 47 (1974): 286–304; Russell J. Cheetham and Edward K. Hawkins, *The Philippines: Priorities and Prospects for Development*, Report of World Bank Mission to the Philippines (Washington, D.C.: World Bank, 1976), esp. Appendix A, “Agrarian Reform,” pp. 475–89.

ARGUMENT 1: CAPITAL ACCUMULATION

Economic rights directly, and political rights indirectly, tend to shift resources from more to less well-off members of the community. The less well-off have a higher propensity to consume than do the more well-off individuals. Therefore, shifting resources from the more to the less well-off individuals reduces savings, investment, and aggregate capital accumulation generally in the community. Capital accumulation contributes importantly to economic growth. Therefore, economic and political rights hamper economic growth.

The crucial steps in this first argument appear plausible enough at first blush. Many economic rights (to food, shelter, medical care, etc.) do dictate straightforward transfers to the poor; and many others (e.g., the right to strike) would, along with political rights, increase the bargaining power of the underclass, eventually resulting in further redistribution. The proposition that marginal propensity to consume decreases with increases in one's net real income occupies a central role in Keynes's revered *General Theory*. And the importance of capital accumulation to economic growth is not only as well-entrenched in economic theory but also is substantiated by Denison's classic study of *Why Growth Rates Differ*. Putting these pieces together, as de Schweinitz did with special reference to the right to strike, one is led quite naturally to the conclusion that restricting rights of the poor can stimulate growth by encouraging capital accumulation among the rich.⁴ By the time we have examined the various assumptions this argument requires, however, it will have lost much of its plausibility.

Stating the first objection somewhat strongly, one might say that this argument matters only insofar as a nation has chosen to pursue a capital-intensive development strategy. Statistical studies have shown that not all development schemes are equally capital-intensive, and various economists have suggested eminently sensible development plans emphasizing instead small-scale cottage industries, labor-intensive methods of cultivation, and so on.⁵

Furthermore, it is not necessarily true that the well-off have a lower propensity to consume. There is reason to doubt this as applied to both the poor

4. John Maynard Keynes, *General Theory of Employment, Interest, and Money* (New York: Harcourt, Brace, 1936), bk. 3; Edward Denison, *Why Growth Rates Differ* (Washington, D.C.: Brookings Institution, 1967); Karl de Schweinitz, Jr., "Industrialization, Labor Controls, and Democracy," *Economic Development and Cultural Change* 7 (1969): 385-404. Much of my discussion here borrows from Guy Caire, *Freedom of Association and Economic Development* (Geneva: International Labor Office, 1977).

5. John H. Adler, "World Economic Growth: Retrospect and Prospects," *Review of Economics and Statistics* 38 (1956): 273-85; Benjamin H. Higgins, *Economic Development* (New York: Norton, 1959); Gunnar Myrdal, *Asian Drama* (New York: Pantheon, 1968), ch. 20; A. K. Sen, *Choice of Techniques* (Oxford: Blackwell, 1960); Gerard K. Boon, *Economic Choice of Human Factors in Production* (Amsterdam: North Holland, 1964). There are, however, political obstacles to intermediate technology as surveyed by Warren F. Ilchman and Norman T. Uphoff, "Beyond the Economics of Labor-Intensive Development: Politics and Administration," *Public Policy* 22 (1974): 189-217. Furthermore, monopolistic producers opt for more expensive capital-intensive technologies as a form of insurance against the risks and uncertainties associated with Third World markets, as is shown by Louis T. Wells, Jr., in his careful study of Indonesian firms, "Economic Man and Engineering Man: Choice and Technology in a Low-Wage Country," *Public Policy* 21 (1973): 319-42. Thus, while labor-intensive intermediate technologies may be economically optimal, there may be considerable practical obstacles to their implementation.

and the rich. The consumption activities the desperately poor would undertake with their new-found wealth often should be counted instead as investments in "human capital." Obtaining food, shelter, medicines, and education are, in some obvious respects, consumption activities. But they also clearly contribute to the economic base of the community, and human capital can go far toward substituting for other forms of capital if only the development plan is designed to exploit it. Contrary to the Keynesian presumption, the well-off might engage in more nonproductive consumption. The tendency towards conspicuous consumption among the middle as well as the upper classes is absolutely notorious. History clearly shows the *nouveaux riches* use their capital to purchase status whenever they can, typically in ways that prevent them from profitably reinvesting capital they have acquired.⁶

Even assuming that the wealthy were more inclined to save, the capital accumulation argument for restricting rights presupposes that they would save within their own country. Zurich bank accounts are surely a more realistic possibility. Capital flight is a persistent problem for which only imperfect remedies have been found. Even finding the perfect way to prevent export of capital might not guarantee capital accumulation: it might instead prompt the wealthy to cut back on savings. In the typical developing country, there is no very secure futures market; and Keynes himself argues that, even where a wealthy man is concerned, "the propensity to consume may be sharply affected by the development of extreme uncertainty concerning the future and what it may bring forth."⁷ At the very least, the uncertainties characterizing Third World economies would cause an investor to display a strong liquidity preference, leading him to place investments where they can be rapidly withdrawn if need be rather than where they would best serve national needs or even where they would yield the highest national rate of return. At worst, such uncertainties might drive the rich to spend "as though there were no tomorrow" or to stash the cash under their beds.

ARGUMENT 2: POPULATION PRESSURE

Certain social rights must be restricted in order to curb population growth, which is everywhere a great threat to economic development.

No one, however inured to ordinary infringements of rights, can help being taken aback at the forced sterilization policies of Mrs. Gandhi's recent government. The policy is all the more shocking for being aimed at what is widely conceded to be one of the major obstacles to development in virtually all the Third World. Although some argue that in the long term (of 120–180 years) popula-

6. Gary S. Becker, *Human Capital* (New York: National Bureau of Economic Research, 1964); Myrdal, *Asian Drama*, ch. 6; Robert T. Holt and John E. Turner, *The Political Basis of Economic Development* (Princeton: Van Nostrand, 1966). Thus development may actually require a redistribution of wealth favoring the poor rather than victimizing them. Some would argue that such redistribution would itself violate (property) rights of the rich. While it would take away their (excess) property, redistribution would not violate their rights, which I prefer to view as essentially providing a floor beyond which no one can be pushed. Confiscating half a rich man's estate leaves him well above the sort of floor rights are designed to guarantee.

7. Keynes, *General Theory*, p. 94.

tion growth may redound to the benefit of the less developed countries, there is no denying its immense short-term costs in terms of increasing the number of individuals who consume but do not produce.⁸

The memory of the ill-fated Indian government may suffice to prevent any politician from attempting similar policies in the near future. But in case any are tempted, I should like to query the assumption that coercion is necessary for a sufficiently effective population policy. Given the lack of any protracted experience with coercive strategies, it is difficult to say whether or not they are *more* effective than noncoercive ones. However, by examining the performance of those more gentle options one might hope to discover whether they are capable of curbing population growth enough to cushion its impact on economic growth.

Two theories, both backed by considerable if not quite incontrovertible evidence, suggest that noncoercive strategies might reduce crude birth rates considerably. One, growing out of the work of William Rich, points to the influence of infant mortality rates. Where infant mortality is high, people must have many children in order to enjoy any reasonable expectation that enough will survive to support and comfort them in old age. By adopting a "basic needs" approach to development, channeling substantial aid to the poor, we might reduce infant mortality, thus reducing the desire for large families and with it the birth rate itself.⁹ The problem with this strategy is that it takes time for people to *realize* that they need have fewer children born for equally many to survive to maturity. In the meanwhile people will, as a direct consequence of this policy, be richer and hence better able to afford still more children.

A second theory, independent of but consistent with the first, is that as the woman's age at marriage increases, birth rates decline. This effect can, of course, be produced coercively. Alternatively, creating more meaningful economic and social roles for women outside the home might cause them not only to choose to marry later but also to desire smaller families once married. Mauldin suggests that rising age at marriage is a significant factor in explaining decreases in crude birth rates in nations as diverse as the Republic of Korea, Hong Kong, Singapore, Taiwan, Turkey, Sri Lanka, Malaysia, and the Philippines, and was the dominant factor in the latter three cases.¹⁰ Thus, there is a basis for hoping that noncoercive strategies, especially that of increasing the role of women in development, might reduce birth rates enough to make coercion unnecessary.

ARGUMENT 3: POLITICAL BUSINESS CYCLE

Electoral pressures force rulers to introduce periodic distortions into the economy, heat-

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8. Julian L. Simon, "Population Growth May Be Good for LDCs in the Long Run: A Richer Simulation Model," *Economic Development and Cultural Change* 24 (1976): 309-27; Myrdal, *Asian Drama*, ch. 21.
 9. William Rich, *Smaller Families through Social and Economic Justice* (Washington, D.C.: Overseas Development Council, Monograph #7, 1973).
 10. W. Parker Mauldin, "Patterns of Fertility Decline in Developing Countries, 1950-1975" (Paper presented to the American Association for the Advancement of Science Conference, Washington, D.C., March 1978).

ing it up for the election and cooling it off afterwards. Electoral competition, and political rights more generally, must be curtailed to eliminate such distortions.

In the run-up to elections, democratic politicians are tempted to stimulate the economy artificially, forcing retrenchment after the election. There has been much recent discussion of such a "political business cycle" at work in the United States and the United Kingdom. Averch, Koehler, and Denton offer a similar analysis to explain both the "lurching" of the Philippine economy and also its periodic foreign exchange crises.¹¹

Assuming these are accurate descriptions of politicians' behavior—and I take it that this is still something of an open question—the crucial question to my mind is whether doing away with elections is the most appropriate remedy. In its most general form, the political business cycle hypothesis seems to suggest that leaders will manipulate the economy to generate political support whenever they need it. Now, both democratic and autocratic rulers have need for popular support, and it is far from clear which will need it most badly or most often. Whether autocracy or democracy will result in less manipulation of the economy thus resolves itself into the simple question of which type of rule is in most need of such artificial supports. This is a competition democracy may well win. Much as we dislike the political business cycle it produces, at least it is a cycle—after the election the economy is given a chance to recover. An autocracy requiring constant supports would clearly produce economic consequences far worse.

ARGUMENT 4: PORK BARREL

Resources are diverted from their most productive use in consequence of local pressures on politicians for public works projects in their home constituencies. By curtailing political rights these pressures and the consequent distortions could be eliminated.

Often an incumbent's chances of reelection are strongly influenced by his success in channeling government revenues into his district. This proposition is central to one of the most fashionable explanations for the currently growing tendency of incumbent American congressmen to be reelected. More dramatic results are found in Philippine interviews conducted in the early 1960s: congressmen perceive that "help given to the area in the past, or public improvements and services" are the most important criteria for winning elections; and voters themselves frankly rank them as the second most important factor influencing their votes.¹²

Not all scholars would readily concede that such logrolling necessarily constitutes a drag on the economy, however. Buchanan and Tullock (1962) argue

11. On the United States see: William D. Nordhaus, "The Political Business Cycle," *Review of Economic Studies* 42 (1975): 169–89; C. Duncan MacRae, "A Political Model of the Business Cycle," *Journal of Political Economy* 85 (1977): 239–63; and Edward Tufte, *Political Control of the Economy* (New Haven: Yale University Press, 1978). On the United Kingdom see: C. A. E. Goodhart and R. J. Bhansali, "Political Economy," *Political Studies* 18 (1970): 43–106; Samuel Brittan, *Steering the Economy* (Harmondsworth: Penguin, 1971); idem, "The Economic Contradictions of Democracy," *British Journal of Political Science* 5 (1975): 129–59. On the Philippines see Harvey A. Averch, John E. Koehler, and Frank H. Denton, *The Matrix of Policy in the Philippines* (Princeton: Princeton University Press, 1971).
12. Morris P. Fiorina, *Congress: Keystone of the Washington Establishment* (New Haven: Yale University

that, on the contrary, logrolling can contribute toward allocative efficiency. The basic idea is that someone who is strongly interested in a project can offer his parliamentary colleagues side-payments (in cash or in kind) for their votes on an issue.¹³ If he succeeds in buying their votes without exhausting his (and, indirectly, his constituency's) reward from the project, then the project would be said to contribute to net welfare on the ordinary Paretian criterion. If the logroll fails, and the sponsor must pay more for the votes than the project is worth to him, then this counts as conclusive evidence that the project is Pareto inferior anyway and would be an inefficient waste of resources. Neat as this solution is in theory, it must necessarily fail somewhat in practice. Costs of information and bargaining, among other factors, will prevent the logroll from working quite as Buchanan and Tullock wish. But the shortfall need not be substantial. Hayami and Kikuchi, studying Philippine agricultural policies formulated through frank logrolling, find that they very closely approximate the social optimum.¹⁴ One reply to the pork barrel argument for repression, then, is that the logrolling autocrats hope to end what actually contributes to the efficient allocation of societal resources.

Another reply is that pork barrel politics are in no way confined to the sorts of competitive democracies which political rights produce. Logrolling is, for example, more common where parties are weak and splintered than where they are strong and disciplined. There is little chance of logrolling in Westminster—party discipline among British members of Parliament is too strong and the penalty for refusing the whip too high for anyone to hope to bribe a Parliament member to vote against the party line. In African parliaments organized on the Westminster model but lacking similarly strong party discipline, however, members can safely “cross the floor” and consequently do engage in much more logrolling.¹⁵ Thus it would seem that in order to eliminate the pork barrel a nation should try to strengthen its political parties rather than decimate them.

Press, 1977); Fiorina and Roger G. Noll, “Voters, Legislators, and Bureaucracy: Institutional Design in the Public Sector,” *American Economic Review (Papers and Proceedings)* 68 (1978): 256–60; John Ferejohn, *Pork Barrel Politics* (Stanford: Stanford University Press, 1974); Averch, Koehler, and Denton, *Matrix of Policy in the Philippines*, ch. 4; Albert Ravenholt, “The Peso Price of Politics in the Philippines,” *Political Corruption*, ed. Arnold J. Heidenheimer (New York: Holt, Rinehart, and Winston, 1970), pp. 469–76.

13. James M. Buchanan and Gordon Tullock, *The Calculus of Consent* (Ann Arbor: University of Michigan Press, 1962). Nathaniel H. Leff, “Economic Development through Bureaucratic Corruption,” *American Behavioral Scientist* 8 (1964): 8–14, argues that corruption more generally might be efficient in much the same way, although he concedes that it might introduce other types of inefficiency. On balance, J. S. Nye, “Corruption and Political Development: A Cost-Benefit Analysis,” *American Political Science Review* 61 (1967): 417–27, is probably right that costs will outweigh benefits. Here I ignore the whole issue of corruption in general. It seems to be a pathology found to characterize bureaucracies whether they are notionally responsible to democratic or autocratic sovereigns. There is no reason to expect that suspending political rights will affect bureaucratic corruption one way or the other.
14. Brian Barry, *Political Argument* (London: Routledge & Kegan Paul, 1965), chs. 14–15, offers theoretical limitations on the logrolling model; Yujior Hayami and Masao Kikuchi, “Investment Inducements to Public Infrastructure: Irrigation in the Philippines,” *Review of Economics and Statistics* 60 (1978): 70–77.
15. N. J. Milners, “Floor Crossing and Pork Barrel Politics in New Nations,” *Parliamentary Affairs* 25 (1971): 11–28.

The alternative to competitive democracy is usually said to be a Government of National Unity.¹⁶ Such governments are designed, after the fashion of Rousseau, to promote the common good in place of particular interests of narrow segments of the community.¹⁷ Accordingly, they typically operate under a unanimity or near-unanimity decision rule instead of requiring just a bare majority. While the goal is to abolish the particularism characterizing the pork barrel, the effect is just the opposite. The pork barrel phenomenon is more strongly encouraged by unanimity requirements than by simple majoritarian democracy. Where everyone has a virtual veto, everyone must be bought off. If only a simple majority were required, there would be fewer people to buy off; and, indeed, everyone's price would be driven down as each competes with all others to be among those thus favored.¹⁸ Again, suspending political rights—this time with a view to forming some sort of Grand Coalition—seems to encourage rather than end pork barrel politics.

ARGUMENT 5: STRIKES

Labor unrest significantly slows economic growth. Curtailing the freedom of workers to associate through trade unions can therefore reduce economically harmful union agitation.

Economists seem uncertain whether unionization on the whole helps or hinders economic growth. There are strong arguments, well summarized by Caire, on both sides of that question.¹⁹ I should like to skirt that issue entirely, therefore, and to focus instead on the secondary question of whether repression is the best way to deal with trade unions as they inevitably arise. The answer here seems more clear-cut, both theoretically and empirically. The theoretical possibility, which also seems to be a practical reality in many places, is that by encouraging the growth of unions which it then co-opts, a government might more effectively regulate the activities of workers.²⁰ In many ways the scenario is not a pretty one, but at least it entails no heavy-handed restriction on the freedom of workers to associate through trade unions.

A body of empirical evidence with more pleasant implications has grown out of Hibbs's examination of the extended history of industrial conflict in the

16. Often, of course, this is just a euphemism for one-man rule. But one man rarely rules alone, and the strongman arguably has even greater need for the unanimous support of his backers than does a Government of National Unity in the true sense.

17. Mancur Olson, Jr., "The Political Economy of Comparative Growth Rates," (publication forthcoming), claims to have found a contradiction "between our desire for democratic stability and peace, on the one hand, and our desire for realizing our full economic potential, on the other." Over the period of a century or more, special interest groups will accumulate power enabling them to force public expenditures (and policy more generally) to serve their interests at the expense of the more general public interest. Olson's complaint, however, clearly lies with stability rather than with democracy. Special interests organize—somewhat more discreetly, to be sure—even in an autocratic state such as the USSR. Were such a state sufficiently stable to allow accumulation of such influence over time, the same sort of economic distortions should be expected there as in democratic states.

18. Barry, *Political Argument*, pp. 317–18; Johan P. Olsen, "Voting, 'Sounding Out,' and the Governance of Modern Organizations," *Acta Sociologica* 15 (1972): 267–83.

19. Caire, *Freedom of Association and Economic Development*.

20. Ralf Dahrendorf, *Class and Class Conflict in Industrial Society* (London: Routledge & Kegan Paul, 1959), pp. 225–26.

now-developed economies. Long-term reductions in the rate and intensity of industrial unrest seem to come only in consequence of growing efforts on the part of the public sector to improve the social welfare of the working classes.²¹ Assuming that the same forces are now working in the Third World as historically operated during First World industrialization, the conclusion would be that the best long-term solution to labor unrest would be to improve the lot of the workers rather than to do pitched battle with their representatives.

ARGUMENT 6: CRIME

The constant threat of criminal violence introduces uncertainties which discourage investors as well as demoralize workers, thereby reducing labor productivity. Limiting civil liberties can help reduce the crime rate and its economic costs.

Both the threat of crime and the government's power to control it are often exaggerated. Crime statistics are notoriously error-prone, even in the First World and more so still in the Third. Averch, Koehler, and Denton, for example, find that the much-discussed Philippine crime wave of the 1960s was little more than a residual of changed procedures for reporting crime statistics. Even where the rise in criminal activity is real, it is unclear how much it will help for government simply to lock a large number of people up in jails. Most of the studies of deterrence show that it is more important that the threatened sanction be swift and certain than that it be an awesome penalty; and one of the most immediate results of a "crackdown on crime" is crowded court calendars and hence delay between crime and punishment that tends to reduce the deterrent effect of the criminal sanction.²² Being held in jail awaiting trial becomes punishment in itself, of course. But this, too, tends to upset the structure of sanctions and incentives the law tries to establish: murderers and shoplifters suffer this penalty equally; and if pretrial detention is the only penalty either will suffer within the time horizon of an ordinary criminal, then the shoplifter might as well murder. Certainly we would like to structure the sanctions in such a way as to discourage murder and assault far more heavily than shoplifting, whereas a "crackdown on crime" and the crowded court calendars it produces tend to close this gap.

We must pay particular attention, furthermore, to the way in which crime is linked to economic growth. The real threat to growth comes not from crime itself but rather from the apprehension of crime. Where everyone constantly lives in fear of violence, no one will work as hard or save as much as they would have done in the absence of these uncertainties. But what we must recognize is that a police state interjects uncertainties of its own making into the society. One of the many things we think "due process" does for us is guarantee (or at least make much more probable) that the guilty and only the guilty will be sub-

21. Douglas A. Hibbs, Jr., "On the Political Economy of Long-Run Trends in Strike Activity," *British Journal of Political Science* 8 (1978): 153-75; idem, *Strikes* (Princeton: Princeton University Press, forthcoming).

22. Averch, Koehler, and Denton, *The Matrix of Policy in the Philippines*, Franklin E. Zimring and Gordon J. Hawkins, *Deterrence: The Legal Threat in Crime Control* (Chicago: University of Chicago Press, 1973).

jected to legal sanctions. Therefore, when a government suspends due process and civil liberties generally in connection with a war on crime, it opens the possibility that innocent people will be punished.

The disadvantages of this are twofold. Firstly, threatening to punish innocent people increases the expected utility of criminal activity relative to that of noncriminal endeavors compared to what the ratio would have been were there firm guarantees that no innocent person would be punished.²³ Assuming with the economists that people behave so as to maximize expected utility, this means that the "crackdown" should actually increase the incidence of crime. Secondly, even if martial law succeeds in reducing crime and its attending uncertainties, this result comes at the cost of subjecting people to other uncertainties, this time emanating from the government itself. So far as the impact of uncertainty on the growth rate is concerned, all that matters is its magnitude and distribution; the source is irrelevant, uncertainties arising from police behavior being just as demoralizing as those arising from criminal behavior. The "magnitude" variable seems more or less fixed. How much uncertainty the police must create in order to reduce criminal uncertainties is an empirical question, to be sure. But while sometimes it might be possible to crack down on crime a little without generating more uncertainties than you remove, any serious crackdown on crime entailing wholesale suspension of civil liberties would surely create much more uncertainty than it resolves. All that is left to manipulate is the "distribution" of the uncertainty. The most typical pattern is to try to provide security for one class or race by terrorizing another. Even if the class or racial lines are clear, so there is no danger of a member of the favored group being persecuted by mistake, this strategy still entails two questionable presumptions. Firstly, it presupposes that some group in the society is economically expendable in ways that, in light of my reply to Argument 1, seem dubious. It further presupposes that the regime of official terror will not be met with an equally unsettling response of counter-terror by the oppressed group.

ARGUMENT 7: FOREIGN INVESTMENT

Political instability discourages foreign investment, which is crucial to a developing economy. Instability can be reduced by curtailing political rights and the competitive democracy their free exercise produces.

This argument is built on various factual claims. Only one—that developing economies typically suffer desperately under foreign exchange pressures—is incontrovertible. Many would, of course, disagree that foreign investment is the best solution. Ultimately the investor's interests must be diametrically opposed to those of the host nation, the former desiring to perpetuate a dependency relationship which the latter is desperate to overcome. So even granting the urgency of the foreign exchange problem, many would wisely recommend import substitution, stimulating exports, attracting foreign aid or loans, and so on in place of foreign investment.

The second factual claim—that autocracies are necessarily more stable

23. For a proof see Robert E. Goodin. *The Politics of Rational Man* (London: Wiley, 1976), ch. 7

than democracies—is very dubious. Much depends on what is meant by “stable.” It is clear that, measured in terms of turnover of regimes, no-party or one-party states have on average a much shorter life expectancy. (Each would like to believe that it is the exception—that it is the regime that will last a thousand years—but none can reasonably expect to do so.) But perhaps the political scientist’s measure of stability does not adequately capture the foreign investor’s concerns. What he really worries about is the continuity of government policy, keeping the deals he negotiated yesterday; and this can be as threatened by a constitutional change of government as by an extra-constitutional coup. Data on this question of policy continuity are more difficult to obtain, and one has little choice but to argue by example and counter-example. Certainly there are examples of democratically elected governments refusing to respect the deals made by its predecessor with foreign investors; indeed, nationalization is an ever-present threat. But equally certain is the fact that autocrats have been known to reverse themselves, succumbing to either pure whimsy or internal political pressures. It is utter folly to suppose that, just because the same individual remains in power, the same policies will forever remain in force.

The third factual claim—that foreign investors would be more attracted to stable regimes—should also be approached with some caution. This may be an accurate characterization of short-term behavior. In light of what we now know about the “behavioral theory of the firm,” it comes as no surprise that corporate economic actors strive for a comfortable life instead of maximum profits.²⁴ The familiarity of stable regimes might well commend them on that criterion. But it is important to emphasize that, by acting in this way, investors are probably maximizing personal comforts at the expense of corporate interests. If my rejoinders to the previous arguments are correct, there is little reason to suppose that repressive regimes lead to more rapid growth or stronger economies more generally. Quite the contrary, such regimes seem in the long run to be the riskier investments. Assuming—perhaps optimistically—that corporate executives will ultimately be held to account for persistently low profits, we might expect them eventually to come to their economic senses and shift investments to nations with less repressive regimes and healthier economies. How adequate a reply this is to the foreign investment argument for repression depends on how quickly this happens. If the shift away from investing in repressive regimes is only a long-term tendency, it might not matter to the nation concerned. In Keynes’s famous dictum, “In the long term we are all dead”; and by the time investors get around to shifting the economy might have passed through its foreign exchange crisis.

COSTS OF OPPRESSION

Economists are notorious for their heroic assumptions. I hope to have raised doubts about several of the assumptions underlying the argument that a

24. Richard Cyert and James March, *The Behavioral Theory of the Firm* (Englewood Cliffs, N.J.: Prentice-Hall, 1963); John Kenneth Galbraith, *The New Industrial State* (Boston: Houghton Mifflin, 1967).

nation can stimulate economic growth by restricting rights. Before closing, however, one larger assumption must be exposed. Just as mobility or bargaining is often assumed to be costless, so too do the arguments here surveyed tend to assume away the costs of oppression. Clearly there are costs, and typically they would suffice to wipe out any marginal gains. Focus, for only one example, on the argument that by curtailing freedom of workers to associate in trade unions a government can save many man-hours that would otherwise have been lost through strikes. Suppose this really were true. Economic advocates of oppression would stop there, claiming to have proved their point. But this neglects the fact that policing any such restriction requires a larger constabulary and that man-hours devoted to police activities are quintessentially "unproductive labor." Thus, to reckon what (if any) net gain we have realized from outlawing strikes we must deduct from man-hours saved by preventing strikes the man-hours wasted by increasing the size of the police force to do it. Whether or not the costs outweigh the benefits is a question that must be left to empirical determination in each particular case. My point here is just that there *are* costs which must be figured into our economic balance sheet. We must not simply assume them away if we want to make sound policy recommendations.